

107TH CONGRESS
2D SESSION

H. R. 5227

To amend the Internal Revenue Code of 1986 to provide involuntary conversion tax relief for producers forced to sell livestock due to weather-related conditions or Federal land management agency policy or action, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2002

Mr. MORAN of Kansas (for himself, Mr. THUNE, Mr. OSBORNE, and Mrs. CUBIN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide involuntary conversion tax relief for producers forced to sell livestock due to weather-related conditions or Federal land management agency policy or action, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Livestock Reinvest-
5 ment Extension Act of 2002”.

1 **SEC. 2. INVOLUNTARY CONVERSION RELIEF FOR PRO-**
 2 **DUCERS FORCED TO SELL LIVESTOCK DUE**
 3 **TO WEATHER-RELATED CONDITIONS OR FED-**
 4 **ERAL LAND MANAGEMENT AGENCY POLICY**
 5 **OR ACTION.**

6 (a) INCOME INCLUSION RULES.—Subsection (e) of
 7 section 451 of the Internal Revenue Code of 1986 (relat-
 8 ing to general rule for taxable year of inclusion) is amend-
 9 ed to read as follows:

10 “(e) SPECIAL RULE FOR PROCEEDS FROM LIVE-
 11 STOCK SOLD ON ACCOUNT OF WEATHER-RELATED CON-
 12 DITIONS OR FEDERAL LAND MANAGEMENT AGENCY POL-
 13 ICY OR ACTION.—

14 “(1) IN GENERAL.—If—

15 “(A) a taxpayer sells or exchanges live-
 16 stock in excess of the number the taxpayer
 17 would sell if he followed his usual business
 18 practices, and

19 “(B) the taxpayer establishes that, under
 20 his usual business practices, the sale or ex-
 21 change would not have occurred in the taxable
 22 year in which it occurred if it were not for—

23 “(i) a drought, flood, or other weath-
 24 er-related condition that resulted in the
 25 area being designated as eligible for assist-
 26 ance by the Federal Government, or

1 “(ii) forced sales resulting from Fed-
2 eral land management agency policy or ac-
3 tion,

4 the taxpayer may elect to include income from such
5 excess sales or exchanges for the second taxable year
6 following the taxable year in which the circumstance
7 applicable under subparagraph (B) ceased to exist.

8 “(2) LIMITATION.—Paragraph (1) shall apply
9 only to a taxpayer whose principal trade or business
10 is farming (within the meaning of section
11 6420(c)(3)).

12 “(3) SPECIAL RULES FOR DROUGHT DESIGNA-
13 TIONS.—For purposes of this subsection, areas may
14 be designated as eligible for drought condition
15 assistance—

16 “(A) by Federal Government declaration,
17 or

18 “(B) through Farm Service Agency flash
19 reports as verified and approved by the Farm
20 Service Agency director of the State in which
21 such condition exists.”.

22 (b) RULES FOR REPLACEMENT OF INVOLUNTARILY
23 CONVERTED LIVESTOCK.—Subsection (e) of section 1033
24 of such Code (relating to involuntary conversions) is
25 amended to read as follows:

1 “(e) LIVESTOCK SOLD ON ACCOUNT OF WEATHER-
2 RELATED CONDITIONS OR FEDERAL LAND MANAGEMENT
3 AGENCY POLICY OR ACTION.—

4 “(1) IN GENERAL.—For purposes of this sub-
5 title, the sale or exchange of livestock (other than
6 poultry) by the taxpayer in excess of the number the
7 taxpayer would sell if he followed usual business
8 practices, shall be treated as an involuntary conver-
9 sion to which this section applies if such livestock
10 are sold or exchanged by the taxpayer solely on ac-
11 count of—

12 “(A) drought, flood, or other weather-re-
13 lated conditions, or

14 “(B) forced sales caused by Federal land
15 management agency policy or action.

16 “(2) EXTENSION OF REPLACEMENT PERIOD.—

17 “(A) DROUGHTS, ETC.—In a case to which
18 paragraph (1)(A) applies, the 2-year period in
19 subsection (a)(2)(B) shall not expire before the
20 later of—

21 “(i) 4 years after the close of the first
22 taxable year in which any part of the gain
23 upon the conversion is realized, or

24 “(ii) 2 years after the close of the tax-
25 able year in which the drought, flood, or

1 other weather-related condition ceased to
2 exist.

3 “(B) FORCED SALES.—In a case to which
4 paragraph (1)(B) applies, the 2-year period in
5 subsection (a)(2)(B) shall not expire before 2
6 years after the close of the taxable year in
7 which the forced sales resulting from Federal
8 land management agency policy or action have
9 ended.”.

10 (3) CONVERSION BY HEIRS.—Section
11 1033(a)(2) of such Code is amended by adding at
12 the end the following new subparagraph:

13 “(F) CONVERSION OF CERTAIN PROPERTY
14 BY HEIRS.—In the case of an involuntary con-
15 version of property described in subsection (e),
16 if the taxpayer dies during the period specified
17 in subparagraph (B), the requirements of sub-
18 paragraph (A) shall be satisfied if the
19 decedent’s—

20 “(i) personal representative,

21 “(ii) the beneficiary of the converted
22 property, if no personal representative ex-
23 ists, or

24 “(iii) the trustee in the case of a
25 trust,

1 replaces the property within such period.”.

2 (c) EFFECTIVE DATE.—The amendments made by
3 this section shall apply to sales and exchanges after De-
4 cember 31, 2000.

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